
FY 2012 – FY 2021

CAPITAL IMPROVEMENT

PROGRAM OVERVIEW

CIP Overview Contents

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FY 2012 – FY 2021 Capital Improvement Program Overview

FY 2012 – FY 2021 Approved Capital Improvement Program

The City Manager's FY 2012 – FY 2021 Proposed CIP was presented to City Council on February 8, 2011 and included \$956.9 million in total funding, of which \$935.0 million was from local sources. The proposed plan also described a proposal for a 12.5-cent real estate add-on tax on commercial properties for City Council consideration to fund a major transportation initiative. This funding plan was amended to fund the transportation initiatives with general real estate taxes. Following the proposal of the CIP, City Council held numerous budget work sessions and public hearings to discuss the plan and listen to the priorities of the community.

During the budget add-delete process, City Council made several adjustments to the FY 2012 – FY 2021 Proposed CIP. Most notably, in lieu of the add-on tax, Council opted to approve a reservation of 2.2 cents on the real estate tax rate in conjunction with an additional annual cash capital contribution to provide for an expanded transportation improvement program. These funding sources generate an estimated \$145.8 million over ten years for transportation capital investments and related operating expenses. In addition to this transportation funding, City Council also opted to increase funding for the ACPS capital program by \$53.0 million through FY 2016 in order to better accommodate the currently steadily growing enrollment in the school system.

Other small changes to the Proposed CIP made during City Council add-delete included an increase of \$175,000 for security enhancements at the jail. Decreases to CIP included \$250,000 from various small non-motorized transportation initiatives, \$122,000 from the Environmental Restoration project, and \$1.8 million in left-over funds from the WMATA capital contribution account.

On May 2, 2011 City Council approved the FY 2012 – FY 2021 Capital Improvement Program totaling \$1.096 billion, of which \$1.075 billion comes from local sources. This represents a \$114.3 million, over 11.6%, increase over the FY 2011 Approved CIP. This increase is attributable to the new transportation funding stream and additional ACPS capital funding

City Council reserved 2.2 cents on the real estate tax rate and an additional annual cash capital contribution of \$900k for improvements to the City's transportation infrastructure and services.

The Approved FY 2012 – FY 2021 Capital Improvement Program includes \$1.096 billion in planned expenditures.

FY 2011 Approved to FY 2012 Approved			Change FY'11 to FY'12	
	FY 2011 Approved	FY 2012 Approved	\$	%
Unrestricted City Funds	\$600.6	\$629.9	\$29.3	4.9%
Restricted City Funds	\$366.2	\$444.6	\$78.4	21.4%
subtotal City Share	\$966.8	\$1,074.5	\$107.7	11.1%
Non-City Funds	\$15.3	\$21.8	\$6.5	42.8%
TOTAL 10-year CIP	\$982.1	\$1,096.4	\$114.3	11.6%

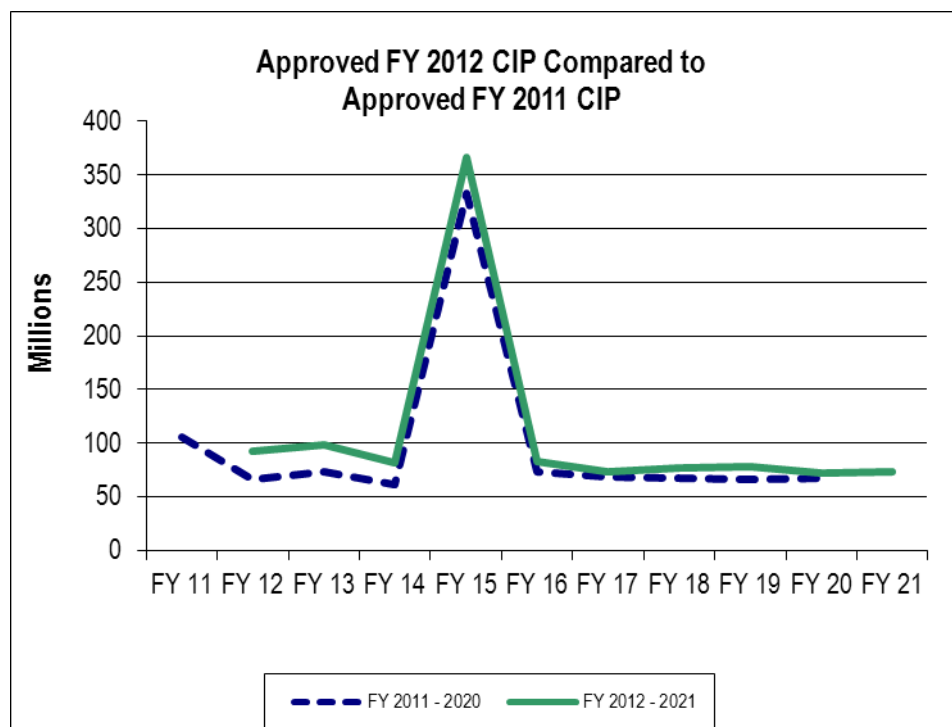
FY 2012 – FY 2021 Capital Improvement Program Overview

The FY 2012 Approved CIP has an increasingly diverse funding structure.

The funding makeup of the City capital program is growing increasingly diverse each year. To help organize this added complexity, the FY 2012 – FY 2021 CIP divides revenue sources into three different types. Unrestricted City funds include general cash sources and General Obligation Bond revenues for the base CIP program. Restricted City funds include both cash and G.O. Bond revenues associated with the Sanitary Sewer Fund, Stormwater Management Fund, Transportation Improvement program, Potomac Yard Metrorail Station, and the Comcast franchise agreement. Because these revenues all have legal restrictions on their available uses, it is easier to discuss financing issues with them separately delineated. Non-City funds generally include State and Federal grants and earmarks and are also restricted in their use.

The final results of the CIP Steering Committee, City Manager review and decision making, citizen input, and City Council action is an approved, ten-year \$1.096 billion CIP. This represents an increase of \$114.3 million over the FY 2011 Approved, and can be attributed to increased ACPS and transportation funding. The chart below illustrates the difference in funding between the FY 2012 Approved CIP and the FY 2011 Approved CIP.

CIP expenditures in the early years of the plan exceed the Approved FY 2011 plan primarily due to additional ACPS capital projects and transportation investments.



**** Peak in FY 2015 is due to \$265.3 million for Potomac Yard Metrorail Station***

FY 2012 – FY 2021 Capital Improvement Program Overview

This CIP continues to place a strong emphasis on funding to maintain the City's core facilities and infrastructure.

The CIP also includes new items focusing on strategic growth and economic development such as the Potomac Yard Metrorail Station.

The Approved FY 2012 – FY 2021 CIP includes \$211.1 million for ACPS capital needs, which represents a \$53.0 million increase over last year's levels.

The FY 2012 CIP is consistent with capital plans from recent years in that it places a strong emphasis on maintaining the existing core facilities and infrastructure of the City. This focus was supported by the continued use of the same three-Category system used in the development of the FY 2011 CIP.

Beyond basic capital maintenance issues, the FY 2012 CIP also represents a significant step towards making the CIP reflect a true vision for the City's future. The CIP decision making process included an initial effort to integrate the capital plan with City Council's new Strategic Plan. As such, the FY 2012 CIP includes funding to support growth and economic development through such projects as the Potomac Yard Metrorail Station, Waterfront and Braddock plan implementation projects, public art acquisition program, and the new Transportation Improvement program. The transportation program heavily focuses resources on the City's three planned high capacity transitways, which will in turn support future economic growth and development.

The FY 2012 – FY 2021 Approved CIP also addresses the emerging capacity issue of the Alexandria City Public School System. In March 2011, the School Board approved a ten-year CIP totaling \$372.6 million in projects. This request would have represented a \$214.5 million increase over the City Manager's Proposed CIP. This full request was not ultimately approved by City Council, but an intermediate solution was found and approved that provided an additional \$53.0 million over the first five years of the CIP for ACPS capital needs. The FY 2012 Approved CIP includes a total of \$211.1 million for ACPS capital needs over the ten years. Over the next several years, City and Schools staff will continue to work together to better define the long term capital needs of ACPS to inform future capital improvement program development processes.

FY 2011 Approved to FY 2012 Approved ACPS Projects			Difference	
	FY 2011 Approved	FY 2012 Approved	\$	%
School Capacity	\$51.6	\$84.3	\$32.7	63.4%
Facilities Maintenance	\$65.2	\$81.8	\$16.6	25.5%
Shared Programs	\$0.0	\$2.2	\$2.2	N/A
All Other Categories	\$41.3	\$42.8	\$1.5	3.6%
TOTALS	\$158.1	\$211.1	\$53.0	33.5%

Capital Improvement Program Purpose & Definitions

The CIP addresses two broad areas of expenditure:

- Protection of the City's investment in existing public facilities or infrastructure (physical assets); and
- Planning and construction of major new public facilities and infrastructure, including new or replacement Information Technology systems.

The adoption of the CIP by the City Council is an indication of its support of both the capital projects that the City intends to pursue, and a plan for the anticipated levels of financing needed to fund these capital projects over the ten-year period.

The adoption of the ten-year CIP is neither a firm commitment to a particular project nor a limitation to a particular cost. As a basic tool for prioritizing and scheduling anticipated capital projects and capital financing, the CIP is a key element in planning and managing future debt service requirements. Only the first year of the CIP (FY 2012) represents a funding commitment for the project to proceed to the next stage, or to be implemented depending on the level of funding provided.

The City defines a capital project expenditure (as opposed to an operating expenditure) as an expenditure of more than \$10,000 that acquires, expands, repairs, or rehabilitates a physical asset with a useful life of at least three years, and typically much longer than three years. It does not include day-to-day maintenance expenditures such as custodial or janitorial services, minor (less than \$10,000) carpentry, minor electrical and plumbing repairs, or repair or routine replacement of fixtures or furniture.

The City of Alexandria's Capital Improvement Program (CIP) is a comprehensive plan, which identifies capital projects related to the City's future infrastructure needs and the corresponding funding required to meet those needs.

Definition of a Capital Project

- **Greater than \$10,000**
- **Acquires or improves physical assets with useful life of 3 or more years**
- **Not day-to-day maintenance**

CIP Priorities for FY 2012 – FY 2021

The FY 2012 Approved Capital Improvement Program (CIP) focuses most available resources allowable under Council guidance on maintaining existing City and School facilities and public infrastructure. The prioritization process used to develop the plan included giving weight to most projects that involved repairs, renovations and upkeep of public facilities and infrastructure. Some resources within the allowable funding levels are also planned for new facilities and expanded or improved infrastructure over the next 10 years. These projects primarily support transportation, public safety or economic development, or provide a good return on investment over time.

FY 2012 Approved CIP			Difference	
	FY 2011 City Approved	FY 2012 City Approved	\$	%
Category 1	\$224.8	\$355.9	\$131.1	58.3%
Category 2	\$109.2	\$97.1	-\$12.1	-11.1%
Category 3	\$394.6	\$561.8	\$167.2	42.4%
*Uncategorized	\$253.5	\$81.6	-\$171.9	-67.8%
TOTALS	\$982.1	\$1,096.4	\$114.3	11.6%

* FY'11 includes Schools, IT Plan, Other Regional Contributions and Inflation/Additional projects which were not developed using the same categories. FY'12 includes these same projects with the exception of Schools, which have been categorized.

The appetite for capital investment in the Alexandria community continues to exceed the City's funding limitations. Over the past several CIP cycles, the level of capital requests that could not be funded within the approved plans exceeded \$100 million, and in some years has even exceeded \$200 million. This year, the combined requests of ACPS and the City that were not funded exceeds \$150 million. This figure is presented to show that Alexandria is a community facing a great number of challenges as it attempts to keep up aging facilities and infrastructure, adapt to new regulatory mandates, and expand and modernize its existing capabilities to serve the public.

The City over the last few years has actively addressed some areas of growing capital needs through actions like the Stormwater Maintenance Fund, planned borrowing against the Sanitary Sewer Fund revenues, and the Potomac Yard special tax districts. It would be very difficult to expand the level of borrowing or cash capital in the CIP if the City had to rely exclusively on the General Fund Operating Budget for support. However, by utilizing targeted special revenue sources, the City has been able to strategically grow the capital program in a responsible manner.

In order to assemble a true, balanced ten-year plan, the City differentiates between the most needed projects and other less important projects, and then determine realistic time constraints and logistical considerations for the higher priority projects. Some funded projects in the FY 2012 Approved CIP certainly qualified as desirable rather than necessary, but their overall benefit to the community merited inclusion in the final plan.

CIP Steering Committee and Priority Setting Process

The CIP Steering Committee is comprised of four department heads, OMB staff, ACPS staff, the CFO, and two Deputy City Managers, and is charged with recommending CIP project priorities to the City Manager from among the many requested and needed projects within the City. The specific plan and priorities for the City Manager's FY 2012 - FY 2021 Proposed CIP were initially developed by the City's internal staff CIP Steering Committee and then finalized by the City Manager.

The development process for FY 2012 began with the assumption that the FY 2011 – FY 2020 Approved CIP was the baseline from which adjustments would be made. While the CIP processes in previous years have also used the previous plan as a rough starting point, those plans had been mostly rebuilt in previous years from top to bottom. This was necessary in prior plans given that those CIP's were starting with functional funding deficits or future year project expenditure reductions to-be-determined to address. Because the FY 2011 – FY 2020 Approved CIP was prioritized and funded in each of the ten plan years, it provided a much more solid starting point from which to build the FY 2012 CIP.

Member Departments of the CIP Steering Committee began generating revisions to existing projects and new project requests for the FY 2012 CIP in summer 2010. Just like in FY 2011, as new projects were identified, Departments were asked to categorize them into one of three potential Categories.

- Category 1: Ongoing Maintenance – annualized funding streams that cover an ongoing maintenance need for an existing City asset;
- Category 2: Major, One-time Renovation or Repair Projects – specific large renovation or restoration projects that are necessary cyclically or periodically, but can be scheduled for a specific time period. These projects also pertain to existing City assets; and
- Category 3: New, Improvement Projects – projects that result in a new or expanded level of service and can be scheduled.

Parallel to the regular capital project development process, City Departments also participated in a "Linking the Strategic Plan to the Budget" process. In this process, staff dissected the goals and objectives of the City Council Strategic Plan in order to identify the specific projects and actions needed to enact the Strategic Plan. The resulting programs and projects included both operating budget items and new capital projects. The capital projects were then organized into the three project Categories described above.

The CIP Steering Committee was charged with looking at both new and revised project requests, as well as Strategic Plan driven capital projects, and then comparing and prioritizing all requests against the existing ten-year capital plan.

All Department project requests were initially prioritized into three projects categories: ongoing maintenance programs; major one-time renovations or repair activities; and new or expanded capital initiatives.

The CIP Steering Committee considered over 180 existing, revised, or new projects for potential funding.

FY 2012 – FY 2021 Capital Improvement Program Overview

The Steering Committee heard explanations of all requests for new funding (both Strategic Plan and others) and discussed the project merits as well as relative priority to projects included in the FY 2011 – FY 2020 CIP. Because guidance limited the overall funding size of the ten-year capital program to an amount close to that available in the previous plan, any new funding necessitated a corresponding reduction in existing funding to make room.

The Steering Committee started with a rough initial prioritization, with Category 1 projects considered the highest priority. Category 2 projects were considered next while weighing appropriate timing, logistical, and funding constraints. Category 3 projects were considered the lowest initial priority, and generally needed to show a direct economic development or public safety benefit, a very strong linkage to a strategic goal or objective, or show a strong return on investment in order to be competitive for funding.

A component of the FY 2012 CIP development pertained specifically to Category 1 projects. For these ongoing maintenance funding streams, Departments were required to either identify industry standards to benchmark annual levels of effort, or to produce lists of specific deferred maintenance items planned to be addressed. These specific maintenance project plans were to extend a minimum of two to three years into the future. The point of this exercise was to both defend the merits of the proposed funding allocation as well as to communicate to City Council and the public what a reasonable expectation for service delivery can be moving into the future. This process ultimately provided further validation that the City has been steadily falling behind in many aspects of regular facility maintenance. However, the continued emphasis on Category 1 funding is already paying dividends in other maintenance areas (e.g. bridge repairs, OHA CFMP, ball court renovations, etc.), and existing conditions are markedly improved. It is anticipated that after several years of appropriately scheduled maintenance and significant catch-up on deferred maintenance, the overall level of annual investment in Category 1 projects will begin to decline.

Once the Steering Committee completed discussion of the new FY 2012 – FY 2021 funding requests, OMB staff and the City Manager's Senior Staff team met to determine the prioritization of funding requests. The same initial prioritization philosophy (i.e. maintenance first) was followed with emphasis on economic development, public safety, strategic goals and objectives, and return on investment also playing into the equation heavily. Just like in the FY 2011 – FY 2020 plan, significant attention was paid to fully developing and balancing all ten years of the plan.

It is important to note that the ACPS request for additional CIP funding was not initially analyzed or compared against City requests as part of the CIP Steering Committee process. Because Council guidance restricted CIP growth, the ACPS request was substantially different (and larger) than the FY 2011 Approved CIP, and the School Board had yet to act on the Superintendent's Proposal.

In-depth analysis of the request was not attempted prior to the Proposed CIP. Coordination between City and ACPS staff did occur before finalization of the Approved CIP and helped inform the final decisions of City Council regarding ACPS capital projects.

Following these discussions, the Office of Management and Budget took the input from the CIP Steering Committee and the City Manager's Senior Staff group and produced a "Rough Draft" CIP that sought to fund essential Category 1 projects, fit Category 2 projects within acceptable windows whenever possible, and provide funding for Group 3 projects when available and prudent. This OMB Rough Draft CIP was then presented back to the Steering Committee for comments and concerns. Based on these comments, some final adjustments were incorporated into the project plan.

Future Process Improvements

Two other process improvements have been partially implemented in the FY 2012 – FY 2021 CIP development process. The first improvement involved better describing how the CIP relates to and impacts the City's Operating Budget. The other improvement involved developing a more quantitative project scoring system to support project prioritization. Implementation of both improvements remain goals of the City, but further refinement is required before they are fully integrated into the process.

Future CIP's will include better cost estimates of operational impacts as well as language describing the impact on service levels to the public. Many projects in the FY 2012 Proposed CIP incorporate this information, but it is not yet universally available for all projects. Furthermore, future CIP development processes should include operating budget impacts more heavily when determining relative project priorities. Again, these are considerations that are informally built into the process today, but the goal is to formalize and refine them in the future.

The City has not utilized a system of scoring for capital project requests in the past. And while scoring systems tend to be incapable of instantly providing a ranked list of projects, a good scoring system could be beneficial in providing a better starting point from which the Steering Committee, OMB, and the City Manager could work. Ultimately, issues such as political considerations, legal mandates, and availability of outside revenues can supercede a scoring system, but having a more quantitative starting point with discrete project rankings is a good goal.

Staff experimented with a scoring system for the FY 2012 – FY 2021 CIP. Data were collected from Departments and each project was scored accordingly. Additional refinement to the criteria used and the relative weight of each criteria is necessary before relying on this system too heavily. The work done this year in this area has been very informative.

Operating Impact Statements will be available for all projects in future CIP's. The process will also be designed to formally consider these impacts in determining project priority.

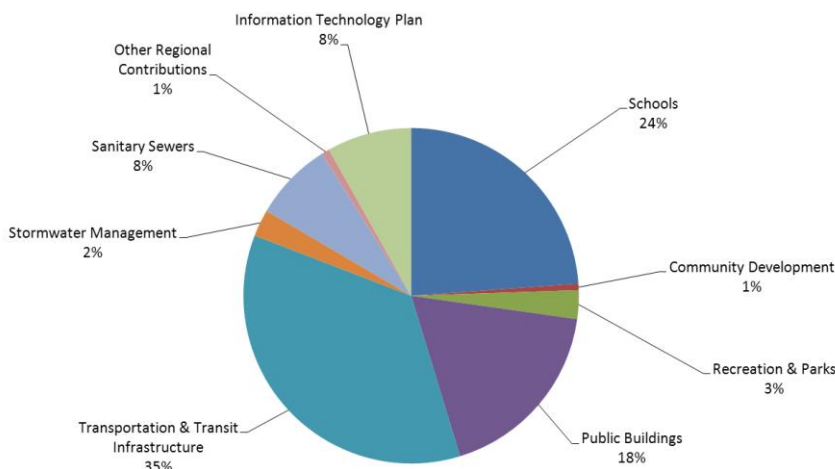
A more sophisticated project scoring system is planned for future CIP's, which can provide a better initial prioritization from which the Proposed CIP can be developed.

The Approved FY 2012 capital budget includes \$92.2 million in total funding. This includes \$56.5 million in unrestricted City sources, \$22.4 million in restricted City sources, and \$13.3 million in non-local funding.

FY 2012 Approved CIP Expenditures

The total Approved CIP for FY 2012 is for \$92.2 million, which includes \$13.3 million in non-local revenues. The locally-funded CIP is \$78.9 million, which is \$17.9 million more than was previously planned for FY 2012 in last year's Approved CIP. This increase is attributable to \$10.8 million in transportation funding and \$8.3 million for additional schools projects. The FY 2012 Approved local share does represent a decrease of 21.6%, or \$21.8 million from the FY 2011 funding level.

**FY 2012 All Funds Capital Budget By Project Category
(\$92.2 million)**



A summary of the FY 2012 major capital budget highlights follows:

Public Buildings:

- \$9.2 million for construction of Fire Station 210 (Eisenhower Ave.)
- \$2.0 million to complete the new APD Facility
- \$1.1 million for the City's Capital Facility Maintenance Program
- \$0.7 million for replacement of Fleet Services vehicle lifts
- \$1.2 million for roof replacements at 2900 Business Center Drive & the Lee Center

Schools:

- \$3.3 million for ACPS capacity-related projects.
- \$10.0 million for core facilities maintenance efforts across the ACPS system.

Highlights of the FY 2012 Capital Budget

Highlights of the FY 2012 Capital Budget

Transit and Transportation Infrastructure:

- \$3.7 million invested in dedicated, high capacity transitways
- \$6.1 million for the City's contribution to the WMATA capital program
- \$4.2 million to improve bus traffic efficiency and implement other upgrades at King St. Metro Station
- \$0.9 million for Traffic Signals and Signs Equipment
- \$2.0 million for DASH replacement buses
- \$1.2 million for Potomac Yard Metro Station planning
- \$2.1 million for improvements to City shared-use paths, primarily the Holmes Run Greenway / Eisenhower Avenue Trail
- \$0.6 million to maintain the City's bridges
- \$2.1 million for traffic flow improvements at King and Beauregard

Community Development:

- \$75,000 for the Gadsby light replacement program
- \$0.5 million for Four Mile Run stream restoration work

Recreation and Parks:

- \$0.5 million for park improvements around the Eisenhower Valley funded by a Restaurant Depot development contribution
- \$1.9 million is budgeted for the various maintenance programs supporting recreation and park facilities, including \$0.5 million for maintenance in neighborhood recreation facilities and \$0.3 million to continue the playground renovation program
- \$0.2 million for design of Chinguapin Aquatics Center renovations

Other Regional Contributions:

- \$0.4 million for the City's capital contribution to the Northern Virginia Regional Park Authority
- \$0.1 million for the City's annual capital contribution to Peumansend Creek Regional Jail
- \$0.2 million for the City's capital contribution to the Northern Virginia Community College

Information Technology:

- \$7.5 million for Information Technology Plan projects, including \$3.6 million for the replacement of the Computer Aided Dispatch System

Highlights of the FY 2012 Capital Budget

Sanitary Sewers:

- \$7.0 million for sanitary sewer projects funded entirely with sanitary sewer system revenues and sewer fee revenue financed bonds, including \$5.0 million for infiltration and inflow remediation in the Holmes Run sewershed and \$0.9 million for the reconstruction and extension of key sanitary sewer lines

Stormwater Management:

- \$2.4 million for stormwater management projects funded through dedicated real estate tax revenue

The Approved FY 2012 – FY 2021 CIP includes \$1.096 billion in all sources of funding, including \$629.9 million of unrestricted City funds, \$444.6 million of restricted City funds, and \$21.8 million of non-local funds.

The Approved FY 2012 – FY 2021 All Funds Capital Improvement Program totals \$1.096 billion, which represents a \$114.3 million, or 11.6%, increase from the FY 2011 Approved CIP.

The FY 2012 - FY 2021 Capital Improvement Program focuses on repairing, refurbishing, renovating, rehabilitating, and reconstructing existing physical assets. In addition, the CIP calls for new capital projects that will save future operating costs, provide stimulus for new economic development, and help solve the growing transportation problems. The chart on page 2-18 illustrates CIP spending (both City and non-City sources) according to project category for each year in the ten-year plan.

Schools:

- A total of \$211.1 million over ten years (FY 2012 – FY 2021) has been included in this CIP for the capital needs of the Alexandria City Public School System (ACPS) for Schools projects.
- \$84.3 million is planned to address capacity issues through projects such as new K-8 facilities at the Jefferson-Houston and Patrick Henry campuses.
- \$81.8 million is planned for major facilities maintenance projects throughout the ACPS system.

Public Buildings:

- \$11.2 million in new funding is planned for the construction of Fire Station 210 in the Eisenhower Valley.
- Other major fire station projects are also being planned throughout the City. These include Fire Station 203 (Cameron Mills Rd), Fire Station 205 (Cameron Street), Fire Station 206 (Seminary Rd), and Fire Station 207 (Duke Street). More specific scope and cost estimates will follow programming for these projects.
- \$18.0 million is planned for the replacement of the HVAC and other integral systems at City Hall.
- \$4.9 million to implement Energy Management projects at City facilities.
- \$2.6 million for various roof replacements
- \$29.3 million is planned over ten years for the various capital facility maintenance programs used to keep existing City facilities in efficient operational condition and ensure that status into the future.

Highlights of the FY 2012 –FY 2021 Capital Improvement Program

Transit and Transportation Infrastructure:

- \$275.0 million for a new Metrorail station in Potomac Yard
- \$19.5 million is planned for design and construction of Transit Corridor C in the Beauregard – Van Dorn Corridor.
- \$22.5 million is planned for design and construction of Transit Corridor B in the Duke Street – Eisenhower Avenue Corridor.
- \$72.2 million has been planned over ten years to meet the City's capital obligations for Metrobus and Metrorail as part of the Washington Metropolitan Area Transit Authority's (WMATA) new capital funding agreement and assumed subsequent agreements.
- \$28.3 million has been planned for the replacement of buses in the DASH fleet over this period. Funding sources include state urban funds, as well as CMAQ and City funding.
- \$8.5 million is planned for the expansion of the DASH fleet.
- \$5.5 million in City funding is planned for City participation in the State Revenue Sharing Program for street reconstructions in future years.
- \$6.8 million is planned for the reconstruction of Madison and Montgomery Streets.
- \$3.7 million is planned for street and alleyway reconstruction and extension projects.
- \$3.6 million is planned for bridge repairs City-wide.
- \$19.3 million in planned for investments in the non-motorized transportation systems, serving cyclists and pedestrians.

Community Development:

- \$0.8 million is planned for initial design of Waterfront Plan elements.
- \$2.9 million over ten years for Public Art investments.
- \$2.3 million to implement the Transportation Sign & Wayfinding program.
- \$16.5 million is planned for various stream and channel maintenance and dredging activities.
- Implementation projects stemming from the Braddock and King Street plans have \$1.3 million in funding planned.

***Highlights of the
FY 2012 –FY 2021
Capital Improvement Program***

Recreation and Parks:

- \$16.0 million for the acquisition and development of new open space is planned.
- A total of \$6.6 million is planned over the ten-year period to do necessary maintenance at the Chinquapin Aquatics Center in order to keep the facility safe and operational.
- \$22.2 million is planned over the ten years for the various Category 1 maintenance and repair programs for park and recreation facilities.
- A total of \$10.0 million is planned for the design and installation of artificial turf fields City-wide, as well as for the replacement of artificial turf carpets at existing fields.
- \$4.0 million to implement improvements to the Windmill Hill bulkhead.

Information Technology:

- The FY 2012 - FY 2021 CIP continues the City's commitment to building and maintaining an essential information technology infrastructure. The plan will enhance information technology services and build on existing City hardware, networks, and software that have been implemented over the past decade.
- The Information Technology (IT) Plan totals \$54.5 million over ten years.
- The IT Plan includes including \$18.0 million to fund the Computer Aided Dispatch and Records Management System for Police, Fire and Emergency Medical Services.

***Highlights of the
FY 2012 –FY 2021
Capital Improvement Program***

Sanitary Sewers:

- A total of \$38.1 million over ten years is planned for City-wide sanitary sewer projects, including \$17.1 million for the Holmes Run Infiltration and Inflow project and \$6.0 million to address combined sewer separation projects.
- The Sanitary Sewer Fund will be financed by the revenues collected through the Sanitary Sewer Enterprise Fund (sanitary sewer connection and use fees) and bonds funded by those revenues.

Stormwater Management:

- A total of \$28.5 million over ten years is planned for the stormwater management fund, including \$9.0 million to fund miscellaneous stormwater system capital projects .
- Stormwater Management projects will be financed by the revenues collected through the dedication of 0.5 cents of the real estate tax rate and an annual transfer of \$1.0 million from the Capital Fund, which represents the current level of General Fund investment.

Allowance for Inflation or Additional Projects:

- The FY 2012 CIP leaves some unprogrammed revenues each year starting in FY 2019, which is intended to either be maintained as a small buffer against inflation or be programmed by City Council for additional projects in future CIP's. The size of this allowance was determined by assuming a CIP that requires a relatively consistent level of impact on the operating budget in each year. The ten-year total of these unprogrammed revenues is \$19.3 million.

CIP USES: FY 2012 - FY 2021



Project Requests Not Included in the CIP

There were over \$150 million in project requests that are not funded in the FY 2012 – FY 2021 Approved CIP.

The following are some of the major projects that are not included in this CIP.

- ACPS Approved CIP – \$134.0 million
 - The School Board approved their FY 2012 – FY 2021 CIP in May 2011. The plan includes \$134.0 million in projects planned for FY 2016 – FY 2021 that are not funded in the City's Approved CIP.
- Edsall Road Reconstruction - \$1.1 million
 - The City is currently reconstructing Edsall Road between Whiting Street and the western City limits. Local funding and participation in the State revenue sharing program have produced \$3.4 million towards the total \$4.5 million project. The final \$1.1 million is currently unfunded and the project will be scaled back accordingly to match available funds.
- Energy Management Program - \$1.1 million
 - An additional \$1.1 million to complete energy conservation, efficiency, and management projects is not funded in the FY 2012 CIP. Funding was increased by \$2.8 million from the FY 2011 Approved CIP, but an additional increase of \$1.1 million is not affordable at this time.
- Fire Station CFMP - \$0.4 million
 - An additional \$0.4 million to complete capital maintenance projects at the City's fire stations is not funded in the FY 2012 CIP. Funding was increased by \$0.2 million from the FY 2011 Approved CIP, but this additional increase is not affordable at this time.
- Non-Motorized Transportation (Mobility) - \$0.9 million
 - \$624,000 in additional funding for sidewalk and curb improvements in the City could not be fit within available funding levels. This project is allocated \$2.4 million over ten years in the FY 2012 Proposed CIP.

Over \$150 million in requested CIP projects have not been included in the Approved CIP.

Over \$150 million in requested CIP projects have not been included in the Approved CIP .

Project Requests Not Included in the CIP, continued

- Non-Motorized Transportation (Safety) - \$0.7 million
 - \$650,000 in funding for additional for traffic calming projects and on-street bike lanes could not be fit within available funding levels. This project is allocated \$3.4 million over ten years in the FY 2012 Proposed CIP.
- Open Space Acquisition and Development - \$3.0 million
 - \$3.0 million in funding to reinstate the open space acquisition and development program immediately would not fit in the FY 2012 Proposed CIP. The CIP does plan for \$16.0 million starting in FY 2014 for this program, but the plan does not recommend the restoration of a dedicated portion of the real estate tax rate.
- Public Art Acquisition - \$2.6 million
 - \$2.6 million in funding to begin the public art acquisition program immediately would not fit in the FY 2012 Proposed CIP. The CIP does plan for \$2.6 million starting in FY 2014 for this program.
- Street Reconstruction Revenue Sharing Program - \$4.0 million
 - Participation in the state revenue sharing program for street reconstruction projects is not budgeted in FY 2012 – FY 2015. Participation in this program requires projects of at least \$2 million in eligible, annual costs, with the state reimbursing the City for \$1 million. This project was not included because no eligible projects have yet been identified and the City match could not fit within City Council guidance.
- Parking Meters and Technologies – \$1.3 million
 - \$1.3 million was requested to implement recommendations of the Old Town Parking Study, including installing multi-space meters on some blocks currently unmetered, real-time parking management systems, additional parking studies, and other new parking technologies. This Category 3 funding request would not fit within available funding levels.
- Other Projects – \$1.0 million
 - Several other smaller CIP project requests totaling less than \$300,000 each are not included in the FY 2012 – FY 2021 Capital Improvement Program. These projects include Shared-Use Paths, Braddock Plan Implementation, Environmental Restoration, a Fort Ward Park and Museum Master Plan, and others.

FY 2012 – FY 2021 Approved CIP Funding Sources

The City will continue to use both pay-as-you-go cash capital financing and debt issuances over the next ten years in a manner that maintains compliance with its debt-related financial policies and as dictated by the economy and resulting pressure on the operating budget. The chart on the following page shows the breakdown of funding sources (unrestricted City sources, restricted City sources, and non-City sources) for each year of the ten-year plan.

Funding the total ten-year capital program of \$1.096 billion for the City and the Schools will be provided through a mix of sources including:

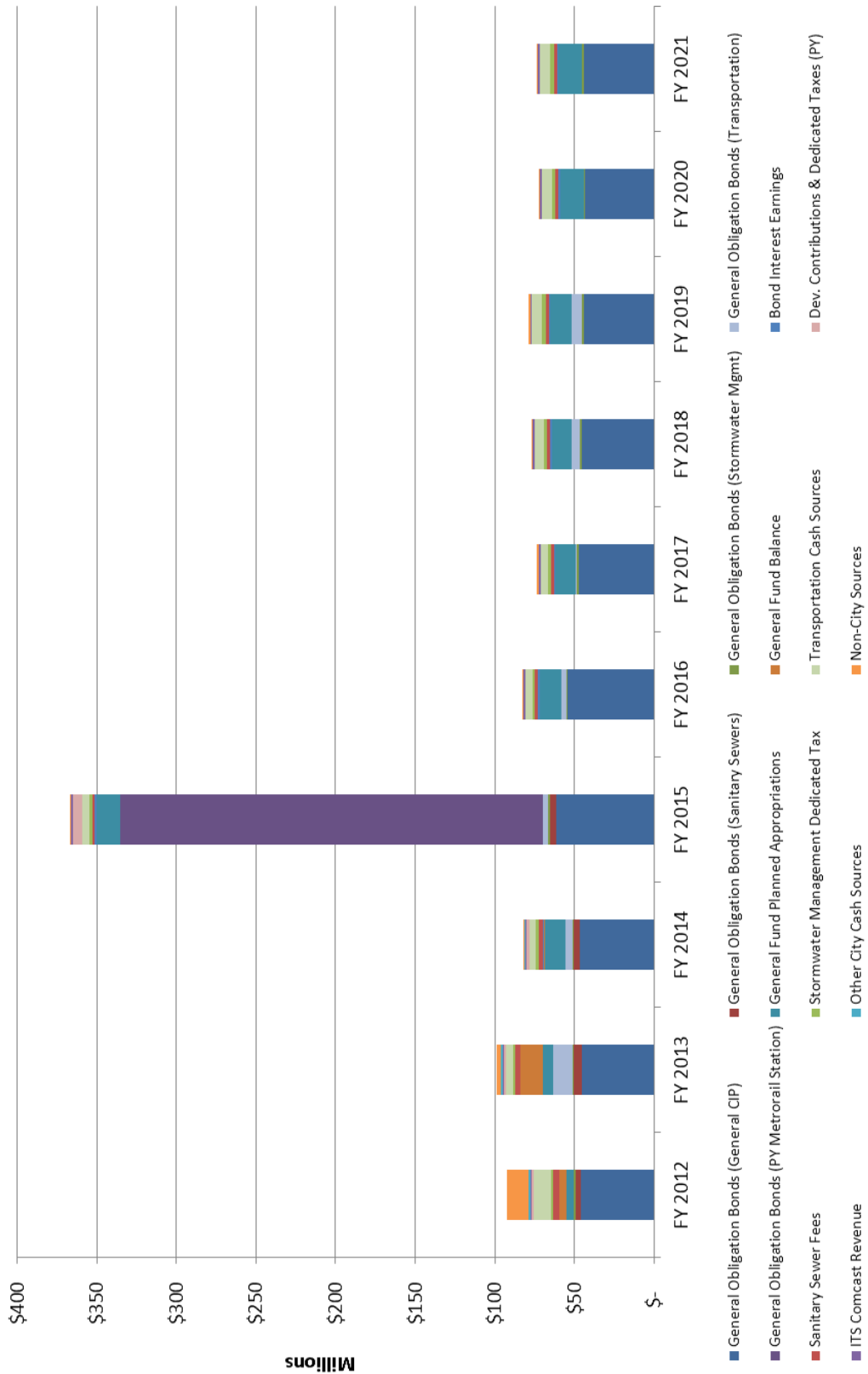
- \$487.5 million in general obligation (G.O.) bond borrowing for the CIP;
- \$15.6 million in G.O. bonds supported by sanitary sewer revenues;
- \$34.7 million in G.O. bonds supported by transportation reserved tax;
- \$265.3 million in G.O. bonds supported by the Potomac Yard Metrorail Station Fund;
- \$21.8 million in grants and other special revenue; and
- \$271.4 million in cash from various sources, including:
 - \$121.5 million in cash capital appropriations;
 - \$22.5 million in cash capital from sanitary sewer fees;
 - \$18.5 million in dedicated stormwater management tax;
 - \$58.5 million in reserved transportation projects tax;
 - \$8.5 million in bond interest earnings,
 - \$19.1 million in general fund balance for capital projects;
 - \$9.7 million in Potomac Yard Station Fund cash sources;
 - \$9.9 million in Comcast revenues; and
 - \$3.3 million in other cash sources.

The FY 2012 - FY 2021 capital funding plan reflects the planned issuance of \$803.1 million in general obligation bonds through FY 2021. Of these, \$15.6 million would be supported by Sanitary Sewer Fund fees. These bonds would fund 73% of the total CIP over ten years as follows:

- \$46.6 million for the general CIP and \$3.5 million for sanitary sewer projects in FY 2012;
- \$58.2 million for the general CIP and \$4.9 million for sanitary sewer projects in FY 2013;
- \$52.0 million for the general CIP and \$3.5 million for sanitary sewer projects in FY 2014;
- \$66.3 million for the general CIP, \$3.8 million for sanitary sewer projects, and \$265.3 million for the Potomac Yard Metrorail Station in FY 2015;
- \$57.9 million for the general CIP in FY 2016;
- \$48.9 million for the general CIP in FY 2017;
- \$51.5 million for the general CIP in FY 2018;
- \$51.8 million for the general CIP in FY 2019;
- \$44.2 million for the general CIP in FY 2020; and
- \$45.0 million for the general CIP in FY 2021

The FY 2012 – FY 2021 CIP will be primarily financed with General Obligation Bonds, Cash Capital, Surplus Fund Balance, Grants and Other Special Revenue, and Bond Interest Earnings.

CIP Sources: FY 2012 - FY 2021



FY 2012 – FY 2021 Capital Improvement Program Overview

Annual impact on the operating budget significantly impacts amount of debt the City can issue.

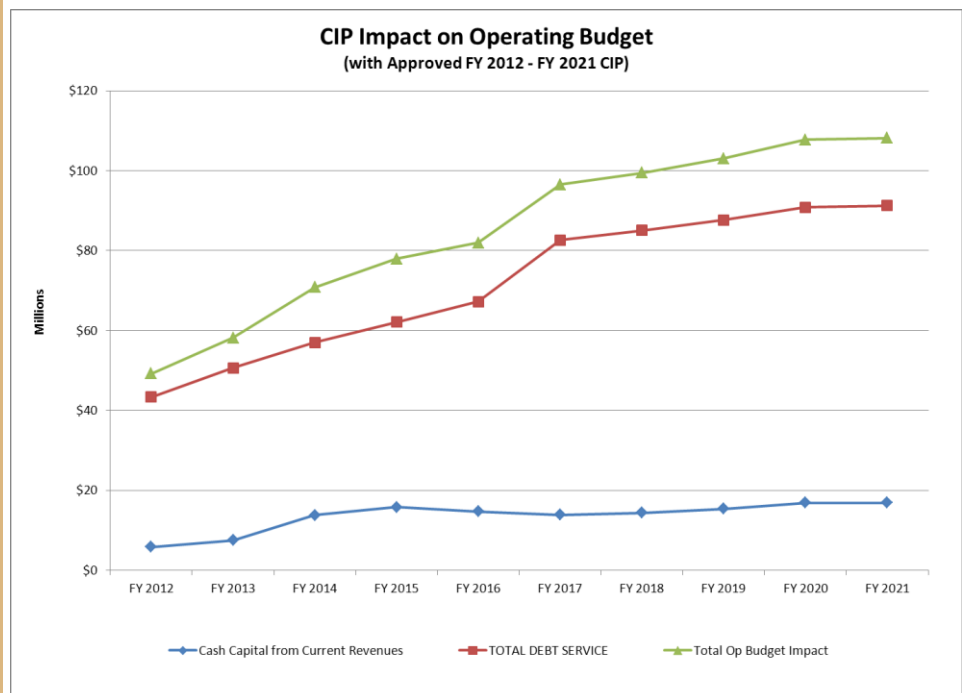
Debt service payments increase each year of the CIP, peaking at \$91.2 million in FY 2021.

The FY 2012 Approved CIP also plans to grow the annual cash capital contribution each year before peaking at \$14.8 million in FY 2020.

The approved capital program, while accommodating many needs, does not address all of the requests from City agencies and the community. As referenced earlier, over \$150 million in project requests are not included in the ten-year capital plan. The impact on the operating budget of proposing additional cash capital or bond issuance to fund this \$150 million is more than existing or projected revenues at proposed tax rates could finance.

The increasing amount of debt outstanding should not endanger the City's hard-earned AAA/Aaa bond ratings, but will impact the annual operating budget.

As illustrated by the chart below, the annual repayment on the principal and interest due on our general obligation bonds will increase from \$43.4 million in FY 2012 to \$50.6 million in FY 2013, and increase each year until peaking at \$91.2 million in FY 2021. While the annual debt service increases each year until FY 2021, the planned growth of the annual cash capital contribution to the CIP from \$5.8 million in FY 2012 to \$14.8 million in FY 2020 drives much of the increase in the operating budget as well. This planned financing structure would keep the average pay-as-you-go portion of the CIP at 27% for the ten-year period.



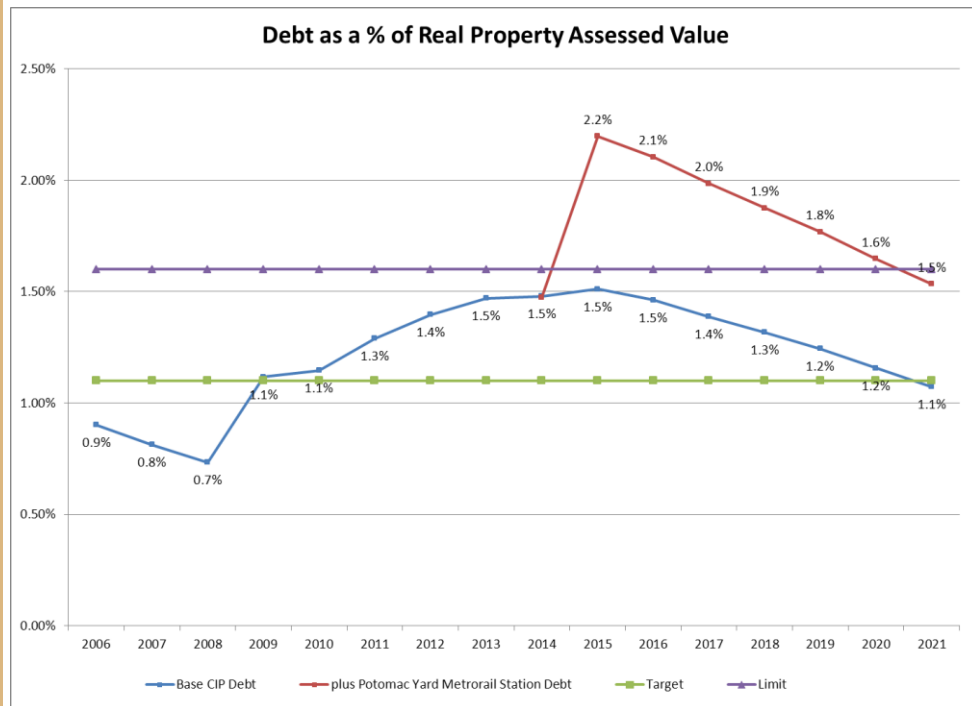
FY 2012 – FY 2021 Capital Improvement Program Overview

The City will remain in compliance with adopted debt ratio limits if debt related to the Potomac Yard Metrorail Station is considered separately.

Backing out the Potomac Yard Metrorail Station planned debt, debt as a percent of fair market value remains under the City's target, and is slightly healthier overall than projected in the FY 2011 Approved.

If debt related to the Potomac Yard Metrorail Station is considered separately as shown in the "Summary Funding Tables" section of the document and in the figures below, the City will remain in compliance with our adopted debt ratio limits, but will likely exceed two of our current debt ratio targets within the ten-year plan.

Under this funding plan, the City's debt as a percentage of the fair market value of real property moves above the 1.1 percent target and peaks at 1.5 percent in FY 2015. Factoring in Potomac Yard Metrorail Station debt, this ratio peaks at 2.2% in FY 2015, which exceeds the City's current limit. This is the most important debt ratio considered by the bond rating agencies. The issuance of Potomac Yard Metrorail Station debt should not endanger the City's bond ratings because it is to be supported by dedicated revenue sources and still keeps this ratio in the moderate range.

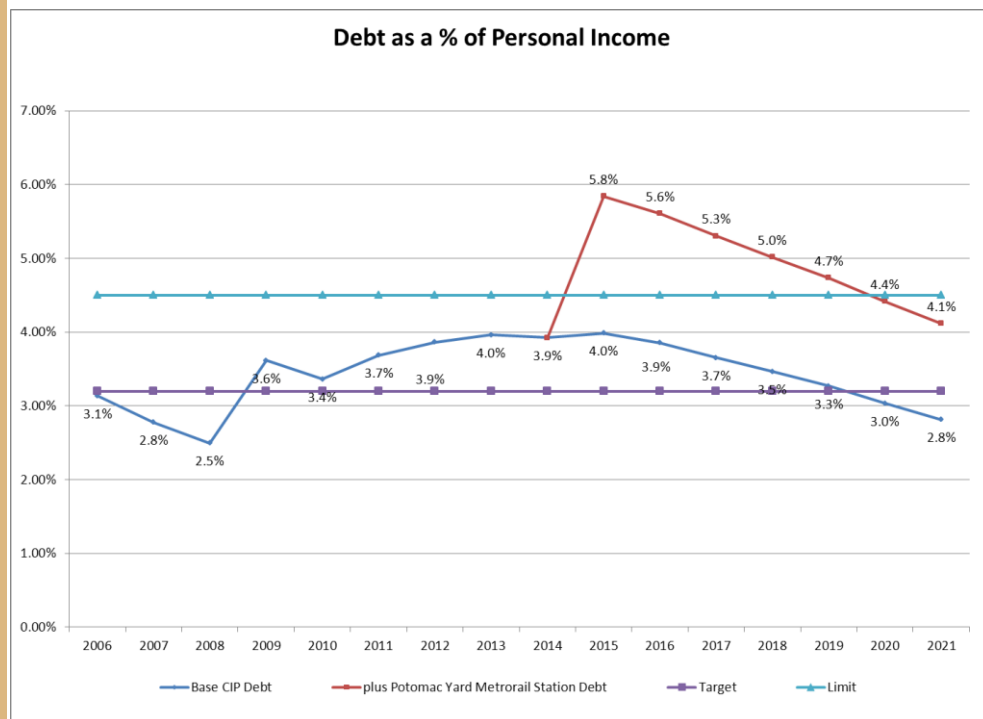


The City will need to consider amending this guideline at some point in the future in response to the Potomac Yard Metrorail Station assumed debt issuance. Such an adjustment would likely be for the short term, as the ratio should start to decline and move back within the current 1.6% limit by FY 2021. While the Metrorail Station borrowing is significant, the resulting economic development and increase to total City assessed property values provide a return on investment in a relatively expedient manner. This debt ratio continues to be below that of many other AAA/Aaa rated jurisdictions.

FY 2012 – FY 2021 Capital Improvement Program Overview

The City Manager recommended and City Council adopted a revision of the debt policy guidelines (Debt as a percent of Personal Income).

Based on comparison with other AAA/Aaa rated jurisdictions and recommendations by the Budget and Fiscal Affairs Advisory Committee (BFAAC), the City Manager recommended and Council adopted on June 24, 2008, a revision to one guideline: the debt per capita as a percent of per capita income guidelines was adjusted upward to a 3.2 percent target and 4.5 percent limit. This new target and limit are in the range of what other Washington area jurisdictions experience that have a triple-A bond rating. This revision also resynchronized this guideline with that for debt as a percent of the fair market value of real property. These two indicators had diverged since they were last reviewed and adopted by City Council in December 1997. Further revisions to this guideline will likely need to be considered for the near future as a result of the project debt issuance for the Potomac Yard Metrorail Station.

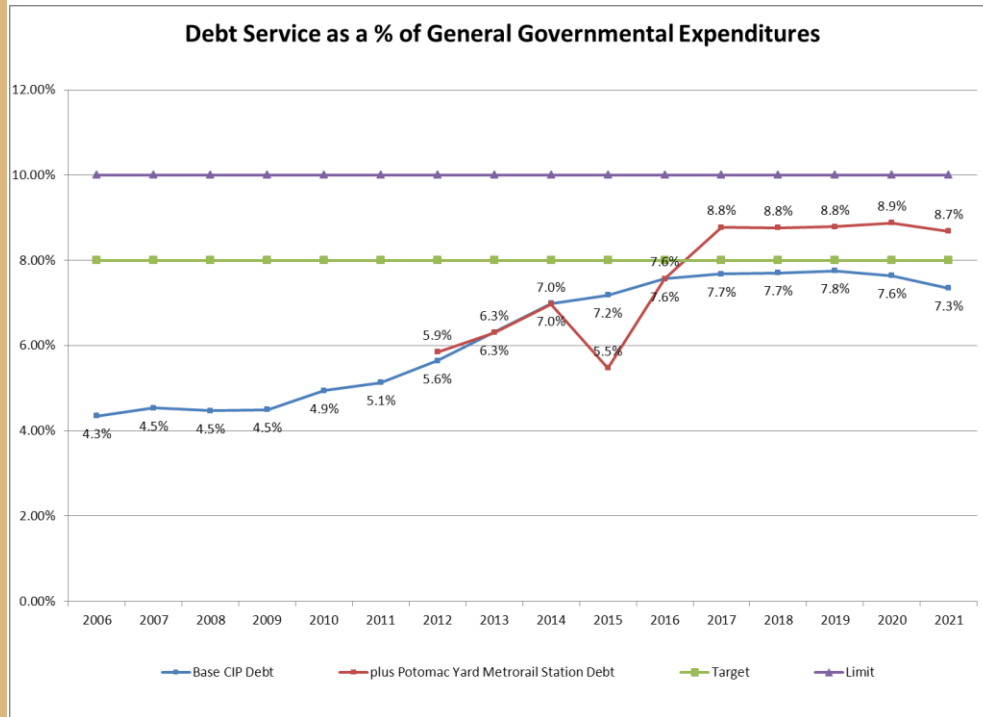


The City's ratio of debt as a percent of personal income at the end of Fiscal Year 2012 will be 3.9 percent, which will exceed the 3.2 percent target, but stay below the limit of 4.5 percent. This is up slightly from the FY 2011 ratio of 3.7 percent. While this plan takes the City close to the debt ratio limit, the ratio steadily improves as we move into the later years of the plan. Factoring in the Metrorail Station borrowing, this ratio exceeds the current limit with FY 2015 peak of 5.8 percent. In a similar result as that seen in the debt as a percentage of assessed value ratio, this debt ratio quickly improves towards the end of this decade as growth, including development of Potomac Yards, boosts projected personal income levels. The City would fall back within the current limit by FY 2020.

FY 2012 – FY 2021 Capital Improvement Program Overview

Although the City will remain below its debt policy ratio target for debt service to general governmental expenditures, as the figure below shows, the impact of Potomac Yard Metrorail Station borrowing would push the City slightly over the target in FY 2017 – FY 2021.

Under current assumptions for the next ten years, the annual increase to total debt service increases at a faster rate than total City spending. For this reason, the ratio trends higher in each year of the plan, before leveling off in FY 2018 and FY 2019. Although the City's ratio is increasing, the City would remain well below our limit of 10% and the levels of many AAA/Aaa rated jurisdictions.



Future Revisions to Debt Policy Guidelines to be Considered:

The new Metrorail station financing could be as much as \$275.0 million, and will be fully funded by a package that would include significant developer contributions, a special tax district assessment, and by some of the net new tax revenues generated by this development. There should not be a General Fund impact. In fact, within ten years the General Fund will start to earn new tax revenues from development in Potomac Yards.

These General Obligation Bonds are projected to be issued in FY 2015 and will have significant impact on the City's debt ratios. The City's conservative debt policy guidelines described in this CIP chapter will need to be amended to account for this major one-time event. These changes in the guidelines would likely occur later in FY 2012.

Potomac Yard Metrorail Station planned debt will necessitate a new look at the City's conservative debt guidelines in the near future, but should not jeopardize the AAA/Aaa bond rating.

Eco-City Initiative and the Capital Improvement Program

The Approved FY 2012 – FY 2021 CIP is well aligned and consistent with the goals of the City's sustainability initiative "Eco-City Alexandria" as well as those of City Council's Strategic Plan. The guiding principles of the Eco-City Charter relate to the areas of Land Use and Open Space, Water Resources, Air Quality, Transportation, Energy, Building Green, Solid Waste, Environment and Health, Emerging Threats, and Implementation. Goals and specific actions were developed for each of these principles which became the City's Environmental Action Plan 2030. The City's CIP is not only congruous and compatible with the City's Eco-City Charter and Environmental Action Plan, it furthers the implementation of the actions specified in the Action Plan.

Transit and Transportation Infrastructure projects of the CIP such as Dedicated High-Capacity Transitways, DASH Bus fleet replacement, Hybrid Bus/Trolley Battery Packs, Bus Shelters, Bike Trails and WMATA Capital contributions are in harmony with the principles related to Transportation, Air Quality, Environment and Health and Energy as articulated in the Eco-City Charter and Goal No. 3 of the Strategic Plan.

Projects such as the Open Space Acquisition and Development (funding stream re-established), and Tree and Shrub Capital Maintenance are consistent with Goal No. 2 of the Strategic Plan.

Storm and Sanitary Sewer projects, although primarily grey infrastructure projects, protect environmental resources and match the principles of Water Resources, Environment and Health. These projects include Four Mile Run Sanitary Sewer Repairs, Holmes Run Sewershed Infiltration and Inflow, and Holmes Run Trunk Sewer. Projects related to the Combined Sewer system, including Sewer Separation projects, not only improve existing infrastructure, but also the environment. These projects help City stay in compliance with regulatory requirements.

Projects involving energy management and retrofitting of existing street lights and traffic lights with LED technology support the goals of Energy, Emerging Threat (Climate Change) and Air Quality principles, in addition to those of the Environment and Health principle.

The FY 2012 – FY 2021 CIP supports the Eco-City Charter and Environmental Action Plan with continued funding both now and well into the future.

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